

and for the people of the United States of America to whom we feel as close in their hour of misfortune as at the time of their victories.

#### GOVERNMENT REGULATIONS

Mr. FULBRIGHT. Mr. President, those of us who are old enough have watched the size and the responsibilities of the Federal Government grow to enormous proportions in the past 30 years. I do not, as some do, ascribe this phenomenon to malice or lust for power on the part of bureaucrats. It is due to the complexity and enormous growth of our economy which has required governmental support and regulation. This is neither good nor bad—it is simply a fact of life. While many of us whose origins are in the relatively simple environs of small town America remember with nostalgia an earlier and a more simple time, we recognize that big government like big business is here to stay.

I believe, however, Mr. President, that the very fact that Federal regulation of certain facets of our economy has grown so greatly imposes even more grave responsibilities on those who are the instruments of this regulation. These instruments, known variously as administrators, commissioners, directors, bureaucrats, or in some cases those so and so's are, in most cases, devoted men trying to do a good job. Nonetheless, on occasion there arise situations where it seems that the bureaucracy has a purpose and a character of its own separate from the aggregate of the individual wills of which it is comprised. I wish to cite for my colleagues one example of this phenomenon which should be a warning to all of us engaged in the formulation of public policy.

Last summer I received a call from the president of the Campbell Soup Co., which has a fine plant in my hometown, regarding a problem which his company has experienced with the Department of Agriculture. Like the thousands of requests which each of us in the Senate receive each year, I assumed that his difficulties stemmed from a lack of communication, a misunderstanding, perhaps some quirk in the law, or at worst an error on the part of a functionary who could as easily be an employee of the company as of the Department of Agriculture.

Upon investigation, however, I became increasingly appalled and frustrated with a bureaucratic snarl which apparently cannot be untangled.

The story goes something like this. In May 1961, the Agricultural Marketing Service published regulations to establish labeling requirements for dry soup mixes bearing a label describing them as containing poultry. These regulations were issued under the Poultry Products Inspection Act with the obvious purpose of protecting the American consumer by giving him the assurance of a Federal Department, that when a product is labeled "chicken noodle soup" the poor consumer can be confident of finding some chicken among the noodles. These regulations were, however, altered by exempting from Agriculture Department jurisdiction those dehydrated soups con-

taining less than 2 percent poultry in the reconstituted state. To give the Agriculture Department its due, it apparently assumed that the Food and Drug Administration would police this exempted field under its general jurisdiction to require descriptive labels on food products.

The Food and Drug Administration, however, had different thoughts. Contending that a mere exemption of such products did not constitute a finding on the part of the Department of Agriculture that they should not bear the word "chicken" on the label, FDA would not accept this responsibility. Consequently, while Campbell's, relying on the intent of Agriculture's regulations, produced chicken noodle soup with a greater-than-2-percent poultry content some of their competitors did not. I might point out for the edification of those not schooled in such matters that it is quite difficult to alter the production cycle on such products and Campbell's was in fact trapped with a better and thus more costly product simply because the company sought in good faith to adhere to what is believed to be regulations promulgated to protect the public interest. It could, of course, have begun producing dry soup mixes with less chicken, but there was reason to believe that effective regulation was to be expected. I confess that 2-percent chicken seems to me to be little enough to justify calling it chicken.

This situation persisted in spite of repeated pleas from the company for a clarification of the Government's position. Upon directing an inquiry to the Department in the summer of 1963, I was advised that discussions were in progress between the Department of Agriculture and the Food and Drug Administration to resolve the problem. It was indicated by officials in both agencies that as it stood the situation was discriminatory and that a solution would soon be forthcoming, although the Commissioner of the Food and Drug Administration made it quite clear that the basic responsibility for regulating poultry and poultry products was given to the Department of Agriculture in the Poultry Products Inspection Act.

Assuming the good faith of all parties I was sure that the matter would be promptly cleared up and dismissed it from my mind.

The next step in our little drama came on October 10, 1963, when the Agriculture Department invited comments on new regulations to establish a definitive minimum poultry content on products bearing the poultry label. Comments were to be submitted by December 16, 1963, and it was indicated that a public hearing would be held should there be substantial controversy.

A hearing was requested and set for January 24, 1964. But, it seems that the 3½ months between the publication of the new regulations on October 15 and the hearing date of January 24 did not provide sufficient time for those companies requesting a hearing to prepare evidence on the issues involved. The Department of Agriculture, wishing to be fair, I am sure, has now postponed the hearing until March 23

and very thoughtfully extended the time for filing written comments on the proposed regulations until March 31. There will, of course, have to be time for analysis of the hearing record and all other evidence and with luck we can expect a final decision by May 1964, some 3 years after the problem was created. I set this deadline with some trepidation in view of the seeming reluctance to bring this fascinating chain of events to a conclusion.

I am not apprehensive as to the future of Campbell's Soup. Nor do I feel that what is good for Campbell's Soup is good for the country. There is no doubt about the company's ability to look after its own interests. Nonetheless, this case is a prime example of bureaucratic buckpassing at its worst as two Federal agencies have worried with the intricacies of administrative law while a private concern with obligations to its employees, its shareholders, and the public, has been left in utter frustration trying to determine the Government's policy. I impute no bad faith to Campbell's competitors upon whom there has been no compulsion to change their labeling practices.

I simply cite this situation as one example of government at its worst—with confidence that none of my colleagues can produce one to top it.

*SAS* *Cuba file*  
U.S. DOLLARS GO TO CASTRO VIA FRANCO: A NEW FASCIST-COMMUNIST BEDFELLOWSHIP FOR WHICH OUR DEMOCRACY PAYS *Ray* *Rosen*

Mr. GRUENING. Mr. President, on November 14, 1963, during debate on the foreign aid authorization bill, I said I saw no reason for the United States of America to "pay so lavishly and generously to implement the Spanish economy." Our assistance then, and in years before, and today has not enlarged the liberty of the Spanish people in any measurable degree.

Freedom of the press, freedom of assembly, freedom of speech are unknown in Spain. Freedom of worship is limited.

Even as we deplore the lack of these freedoms in Spain, we continue to pour billions of dollars into that country which perpetuates the dictatorship and enables the Government of Generalissimo Francisco Franco to aid Cuban Premier Fidel Castro even as we attempt to curb the trade our allies have with the Cuban dictator. Specifically, General Franco is reported to have negotiated with Cuba a 350,000-ton agreement for the purchase of sugar totaling \$81 million. This purchase, says the London Observer, is to be paid for in part with fishing trawlers valued at \$51 million. Spain has traded with Cuba previously. In 1963, exports to Cuba from Spain were valued at \$12 million.

The trade areas appear to be expanding for a number of news accounts tell us that a Cuban trade commission visiting Spain negotiated the purchase of electric trains and machinery and has returned to Cuba with supplies of books and eggs valued at "several million dollars." If we total what we learn simply by reading, the trade between Spain and

Cuba in 1964 will approximate \$100 million at least.

Obviously, we are being made fools of in the most gross manner.

We had better take a quick, new, realistic appraisal of our assistance program as it applies to Spain unless we really do not care about the billions of dollars of the taxpayers money which is being used improperly.

I believe most citizens care. I think most citizens would like to know the extent of our foreign aid program to Spain which unofficially may approach \$4 billion dollars since 1953.

News Correspondent Lawrence Fernsworth, a correspondent in Spain during the Spanish civil war and who continues to be informed on events in Spain, has put over generous Spanish handout into proper and agonizing perspective in his February 10, 1964, article entitled "Spain: Concealed Handout," appearing in the Nation.

Mr. President, I ask unanimous consent that the full text of Mr. Fernsworth's excellent piece be printed in the Record at the close of my remarks.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See Exhibit 1.)

Mr. GRUENING. Mr. President, the article illustrates the grievous gaps in our knowledge in assessing the extent of U.S. aid to Spain. Author Fernsworth notes our continuing error of loaning money at an interest-free rate for the first 10 years and at three-quarters of 1 percent for the next 30 years. The irony is, of course, that the U.S. Government itself must pay approximately 4 percent to borrow the money it lends. This so-called "loan" is one of the continuing giveaways which I sought—unsuccessfully—to eliminate by amendment to our foreign aid bill during debate on H.R. 7845 which amended the Foreign Assistance Act of 1961.

The amendment I offered was designed to make our so-called development loans realistic and to terminate a kind of fraud on the American people. Nine Members of this body cosponsored my amendment which merely provides that the United States would exact the going interest rate plus one-quarter of 1 percent as a carrying charge. Thus, the loans made would have been valid loans and the rate of interest would not have been usurious. During my explanation of the amendment I cited as one glaring misuse of American taxpayer funds a loan made to the Egyptian Government to build a powerplant in west Cairo. I ask unanimous consent that my remarks in explanation of the absurdity of such loans and their cost to the taxpayer be reprinted in the Record at this point in my remarks.

There being no objection, the statement was ordered to be printed in the Record, as follows:

#### STATEMENTS BY SENATOR GRUENING

I illustrate what I am speaking about by stating a specific example. I was in Cairo last February. While I was there, I was present at the signing by the American Ambassador of a \$30 million loan to Mr. Nasser to build a powerplant in west Cairo. A powerplant is a money-making enterprise. From the time it starts generating and delivering

its power the dictator can charge his consumers—his electricity users—any rate that he wishes. Yet the loan provides that for 10 years he shall make no payment whatsoever. Meanwhile, we are borrowing money from the American people at about 4 percent, so that in each of those years it is costing us \$1.25 million, which is the difference between no payment on the part of Nasser and what we have to pay. So, in the first 10 years, even before he starts repaying the loan, the Treasury will be out \$12.5 million.

Mr. GRUENING. Mr. President, the discussion which ensued was vigorous and healthy and I believe helpful to Members of this body.

The full discussion appears in the CONGRESSIONAL RECORD of November 8, starting on page 20416 and concluding on page 20426.

My amendment, rejected by a vote of 30 yeas and 44 nays, reflects a growing concern by Members of the Senate as to the use of taxpayer money for loans which are little more than handouts.

It is interesting to note that France and other European nations which our AID program has made prosperous are loaning money to Spain at commercial interest rates and that France, in return, may play an active role in the distribution of the money and is receiving favored treatment as Spain raises its tariff barriers.

This continuing flaw in our development loan program and others are spotlighted by Mr. Fernsworth and I, for one, applaud his truthfulness.

Let us contrast what the crop is reaped by benevolent U.S. taxpayers.

First. Low interest rate repayment by Spain on loans.

Second. A growing accumulation of counterpart funds on deposit in Spain for commodity credits received from the United States which can be spent only in Spain.

Third. Use of U.S. dollars by U.S. military authorities in Spain rather than those dusty counterpart funds.

Fourth. A resale of certain commodity credits such as cotton by the Spanish Government made inside Spain at a profit.

Fifth. The proposed giveaway of our military base at Zaragoza to the Spanish Government.

The United States has other military bases in Spain and the growing obsolescence of military aircraft prepares us for the fate of those bases. One might predict that eventually we will pay Spain to take them off our hands.

News stories and editorial comment on the fluid Franco position these days appear often in our newspapers.

The Washington, D.C., Post of January 28, 1964, tells us that Central Intelligence Agency Director John A. McCone was in Madrid January 27 "reportedly trying to talk Gen. Francisco Franco out of trading with Cuba."

Did Director McCone suggest that the United States really does disapprove the proposed \$50 million shipbuilding deal Spain is considering with Cuba? And did Director McCone mention the Cuban delegation in Madrid at the same time which was exploring the possibility of increasing imports of electrical goods from Spain.

On January 30, 1964, the Washington Post carried a story from Barcelona which appeared in the London Observer which reported:

Despite U.S. concern, Spain is expanding her trade with Cuba.

A 350,000-ton sugar deal worth \$81 million has been arranged to be paid for in part with fishing trawlers worth \$51 million.

Mr. President, I dislike pointing to the obvious, but I recall the recent arrest of Cuban fishing vessels within our territorial waters and I am too well aware of the nosedive our fish catch has taken. I doubt that our fishermen will applaud with glee the news that Cuba is increasing its fishing fleet. The Observer article concludes with this observation:

The whole idea of an economic blockade to force Castro out of power meets with skepticism here. General Franco's regime survived total boycott after the civil war—without being able to count on the Soviet bloc to keep it going.

The full spectrum of General Franco's machinations is described in an editorial appearing in the February 1, 1964, edition of the Christian Science Monitor. I ask unanimous consent that the full text of "The Caudillo Maneuvers" be printed in the Record at the close of my remarks, along with the news items to which I have referred.

The PRESIDING OFFICER. Without objection, it is so ordered.

(See exhibit 2.)

Mr. GRUENING. Mr. President, the word "caudillo" perhaps best describes the General, for he is a military president, and as a military man he seems to be outflanking the military men of the United States at every turn.

[From the Nation, Feb. 10, 1964]

#### EXHIBIT 1

##### SPAIN: CONCEALED HANDOUT

(By Lawrence Fernsworth)

("We have poured money into a non-NATO Spain, yet we cannot find out from the State Department how much. . . . It is still a top secret. . . . The American people are entitled to know every detail of the Spanish deal. . . .")

("What is in that agreement (to maintain the military bases for another 5 years) is still unknown to the American people and to most of Congress. It is known to account for an undisclosed amount of military aid to Spain. . . . It is very difficult for me to see what purpose has been served by his agreement except another lush handout to Spain."—Senator WAYNE MORSE, during the recent foreign aid debate.)

Any attempt to assess the extent of the lush handouts to Spain since 1953, when the original bases agreements were signed, must be made in the context of the secrecy thus described. But enough information has come from various sources to make it clear that Spain has already received about \$3 billion in aid and probably more, not counting the bases and other military and naval installations in Spain which are due to be handed over to the Franco dictatorship in fee simple and which have cost easily a billion more. As Senator STEPHEN M. YOUNG, of Ohio, told the Senate, touching this point: "We have provided economic aid to Spain in exchange for permission to build our bases there at a cost of something over a billion dollars." The major base at Zaragoza, about midway between Madrid and Barcelona, is scheduled to be handed over to Franco this year. With it go 485 miles of pipeline carrying oil from the U.S. naval base at Rota,

around the Atlantic corner from Gibraltar. Senator Young, along with Senator Morse and Senator Ernest Gruening of Alaska, tried unsuccessfully in the last session to cut all projected aid to Spain by 25 percent.

The secrecy surrounding American largess to Spain has increased, rather than relaxed, within the last 2 or 3 years. In 1961, the National Advisory Council on International and Financial Problems showed aid to Spain of \$1.75 billion. Rather mysteriously, this was the last report from that source.

Senator FRANK LAUSCHE, of Ohio, dissatisfied with the information on Spain provided by the Senate Foreign Relations Committee, of which he is a member, sent a request for more information to Defense Secretary McNamara. Mr. McNamara replied that "since 1953, the United States has provided Spain with a total of \$500 million in military assistance and a total of \$1.4 billion in economic aid in the form of defense support, technical assistance, Public Law 480 (agricultural commodities), and Export-Import Bank and Development Loan funds."

Although this total of \$1.9 billion exceeds the figure in the council's report, it is far from telling the story. Senators Morse, Gruening, and Young have not found it convincing. The available records themselves show wide gaps. One of these is the cost to the U.S. Treasury of 40-year development loans. Another is the writeoff of commodity credits after their conversion to counterpart funds.

Development loan funds have been provided on a basis whereby the first 10 years are interest free and the next 30 years call for annual interest at three-quarters of 1 percent. The U.S. Government itself pays around 4 percent to borrow the same money. A loan of \$30 million on this basis, by way of example, "would cost the United States \$22.5 million if it is ever paid," as Senator Gruening remarked. Some countries make clear to their people that such credits are gifts. A table in the hearings of the Senate Foreign Relations Committee showed that of \$6.51 billion loaned in this way over a long period, only \$790 million has been repaid.

The commodity credit writeoff works as follows: The credits consist of cotton, grain, and other agricultural commodities provided at low cost to the recipient country under Public Law 480. The recipient pays for these in its own currency, called counterpart funds, which is placed to the credit of the United States in local banks and is to be spent inside the country. There is nothing to prevent a country from printing as much counterpart as it needs.

Usually, as now in Spain, there is more counterpart on deposit than the American authorities know what to do with. For practical purposes it's another form of handout. In Spain, according to the latest available reports, \$445 million worth of commodity credits have been written off as counterpart. This, added to the \$1.9 billion reported by McNamara, brings aid to Spain up to \$2.34 billion, so far as the figures are known. To this add another \$100 million announced as a credit in connection with the renewed bases agreements.

But Franco has a further way of making money out of commodity credits. The House Government Operations Committee has shown that the Spanish Government resold cotton to textile mills at profits of from 50 to 70 percent. How much grain and other commodities were sold at like profits has never been made public. If one calculated a 60-percent profit on a reported \$700 million in commodity credits, that would provide another \$420 million.

Still another facet of the counterpart story has been the failure of the U.S. military authorities in Spain to use counterpart funds, as required by law, in payment of internal

disbursements. A Comptroller General's report in 1961 showed that the U.S. Military Advisory Group, instead of drawing on counterpart, used \$178,000 to reimburse its own people for living and travel; \$8 million in wages, mostly to Spaniards, for modernization of Spanish naval vessels, and \$6.2 million (paid by the Air Force) to a Government-controlled contractor for aircraft maintenance. This makes a total of \$15.2 million passed out unlawfully in Spain because the Franco government obviously dislikes its own counterpart money and demands dollars instead. Such expenditures are hidden under "operations and maintenance" and do not appear in reports of military or other assistance in Spain.

Another source of hidden expenditures is the President's contingency and special funds. The contingency fund was \$300 million last year. In addition, there was a \$300 million "military assistance and special authority" fund which permitted the President to draw on Defense Department stocks and services in ways other than are provided by statute.

An example of the secrecy in Spanish matters insisted upon by the State-Defense complex was the hearing in the last session before the House Appropriations Subcommittee on Foreign Aid. When Chairman Otto Passman pressed Pentagon witness Gen. Samuel K. Eaton about reports that the United States was "tying in a substantial aid program to the new bases agreement," Eaton first tried to brush him off. Failing in that, he insisted that all amounts mentioned by him be classified and left blank in the transcript. For example, in reply to a direct question, Eaton answered:

"Spanish officials have stated publicly that they expect to receive \$----- aid." When PASSMAN asked, "What kind of excess stock will you give to Spain at a cost of \$-----?" Eaton replied "The major items are \$-----." It is not very informative, but some light was cast by Senator Young in the Senate debate, when he said that Franco "tried to blackmail us for planes, weapons and equipment costing between \$200 and \$300 million." PASSMAN's questioning of Eaton did draw out the fact that the Defense Department was planning this year to deliver to Spain five T-37 aircraft.

Spain itself is sometimes the source of aid information that is classified here. Thus, a recent dispatch tells of a presentation ceremony in which several HU-16B antisubmarine war planes were turned over to the Spanish Air Force. Spanish crews to operate them were trained in this country—at another considerable cost to the American taxpayers.

One of the Defense Department's arguments in support of more money for Spain is that the United States makes a big saving by training Spanish soldiers instead of putting American divisions in Spain. It says the cost of maintaining a Spanish soldier for a year is \$522 as against a cost of \$3,948 for an American soldier. To which snorts Senator Morse: "That is a typical Pentagon fallacious piece of propaganda."

Another point raised in Congress concerns the payment of rental for the Spanish bases. Questioned on this by Senator LAUSCHE, Secretary McNamara replied:

"We do not make any direct payment, in the sense of rental, to Spain. \* \* \* We have provided military and economic assistance in accordance with bilateral military assistance and economic assistance agreements. \* \* \* The United States agreed (in 1953) to support Spanish defense efforts for agreed purposes by providing military end-item assistance \* \* \* to contribute to the aid defense of Spain and to improve the equipment of its military and naval forces.

Spanish railroads and other public utilities

have received heavy grants for both modernization and new starts. Some available figures show \$14,900,000 for modernization of the Spanish national railways. The Union Electrica Madrileña received \$3,900,000 for rehabilitation of its hydroelectric system. An electrical switchgear plant received \$350,000. And General Electrica Española received \$1,200,000 for its power system. How much more has been contributed to these and other public utilities has not been revealed.

Spanish steel is another beneficiary in the lush handouts. The United States spent at least \$55 million on that industry, the money coming from several sources. Direct aid to the industry to June 30, 1962, has amounted to \$8,413,000. Export-import credits for the same period have amounted to \$38,100,000. Since 1962, no figures have been allowed to be known. Spain has also obtained World Bank loans for steel, in large part in U.S. dollars. The World Bank does not break down its loans by industries, hence the amount for Spain's steel is not of record. The recipients of these various funds have been five big steel concerns, in each of which Spain's Government has an interest.

Faced by mounting opposition to still more U.S. altruism in Spain, and by the prospect that the bases agreements will be terminated within a few years, Dictator Franco has begun turning to France for loans to be used in a 4-year development program. By way of pump primer in an announced \$5.6 billion program, he has just negotiated a \$150 million French loan for the further development of Spain's steel and other industries. The iron and steel output is to be raised to 4.5 million tons by 1967.

The French, unlike the Americans, provide no easy money. Commercial interest rates are charged, and there are to be reciprocal advantages for France. France has a voice and even a veto in the redistribution of loan money. One of the aspects of the program is that France is to collaborate in the installation of atomic power in Spain. At the same time, Spain has begun raising tariff barriers against the importation of steel, but with favored treatment for France.

One aspect of the 4-year program is a speedup of farm mechanization. This will benefit the big landed proprietors; it will further reduce work for the farmhands of the latifundios of Andalusia and Extremadura, who already are systematically held to near starvation on the theory that chronic hunger keeps them dutiful and helps Franco make a showpiece of his "stabilized" country. The program will also drive thousands of poor tenants off their farms.

It is evident that, as missiles make the intercontinental bomber fleet obsolete, the Spanish bases are losing their strategic importance. Evidence that the whole program is petering out is the prospective handing over to Spain of the Zaragoza base and the pipeline. The big question is what will become of the major naval base at Rota, intended to be a permanent rendezvous for the U.S. 6th Fleet in the Mediterranean. The agreements respecting that base's future permanent use are, needless to say, exceedingly secret. Will it be a Guantanamo on the Iberian Peninsula—a source of future misunderstandings between the two countries? Spain has given a hint of its right of sovereignty over Rota by refusing to allow U.S. atomic-powered submarines to gather there. The real reason for this has not been told in this country. The fact is that not only Spain, but some members of NATO as well, object to such use. Franco is plucked because the United States has not succeeded in making Spain a regular full-time member of NATO. He says that since the atomic fleet is part of NATO, Rota is no place for it

to be stationed. The objecting members of NATO say the same thing.

Franco is unlikely to kick the United States out of Spain, as has been suggested. The American presence there in some form or another is far too important a source of strength to Spain's neonazism to make Franco or his successor wish to do that. But the answer to "What happens next?" depends on whether America's future policy toward Spain is to be dominated by the Pentagon, as now, or by the civilian authority.

#### EXHIBIT 2

[From the Washington Post, Jan. 28, 1964]

#### CIA MISSION SEEN AIMED AT CUBANS

MADRID, January 27.—Central Intelligence Agency Director John A. McCone, taking what appears to be an unusual role in U.S. foreign affairs, reportedly is trying to talk Gen. Francisco Franco out of trading with Cuba.

Spain is considering a \$50 million ship-building deal with Cuba. The CIA recently released a report, which has been disputed, saying that the Soviet bloc was in much more serious economic difficulties than had been believed. It suggested that a denial of economic aid to the bloc would permit the West to exert powerful leverage.

McCone apparently is stressing this view in his talks with Franco Monday and Tuesday. Although neither American nor Spanish sources will discuss McCone's mission, it is believed that he will talk with other European leaders after leaving Madrid.

Meanwhile, a four-man Cuban delegation arrived from Havana to explore the possibility of increasing imports of electrical goods from Spain.

[From the Washington Post, Jan. 29, 1964]

#### McCONE ON TOUR OF FIVE CITIES IN WEST EUROPE

John A. McCone, Director of the Central Intelligence Agency, is visiting five West European cities to "exchange views on matters of mutual interest," the State Department said yesterday.

McCone left Washington January 18 and will return January 31, press officer Richard I. Phillips said. McCone has been in London, Paris, and Madrid and will go to Berlin and Rome, he said.

The State Department spokesman made the announcement after reports were published from Madrid that McCone was trying to talk Gen. Francisco Franco out of a big shipbuilding deal with Cuba.

Phillips said McCone is accompanied by his wife.

[From the Washington Post, Jan. 30, 1964]

#### CUBA TRADE EXPANDED BY MADRID

BARCELONA.—Despite U.S. concern, Spain is expanding her trade with Cuba.

A 350,000-ton sugar deal worth \$81 million has been arranged to be paid for in part with fishing trawlers worth \$51 million.

Some U.S. Government officials have hinted at a possible suspension of American aid. In reply, the state-controlled Spanish press accuses the United States of hypocrisy and stresses Spain's historic links with Cuba.

Spain still pays lip service to fascism and jails not only Communists, but also Socialists and even Christian Democrats. Yet it is on good terms with Cuban Premier Fidel Castro partially because the key economic positions in Spain since 1958 have been held by men whose aim is to eliminate ideology from politics.

#### STABILIZED ECONOMY

These technocrats are all members of the Opus Dei (God's Work) lay order, a powerful body whose ends are not exclusively religious. They have managed to stabilize the economy, through the tourist trade and a

strict policy of austerity. The 5-year plan of development, which is just getting underway, is their brainchild.

Spain's growing industry needs outlets, and Cuba is a customer.

For years Spain has been doing good business with Eastern Europe. Since 1932, Poland and Czechoslovakia have had stands at the international trade fair in Barcelona—despite initial protests from the Falange, Spain's only legal political party.

The Spanish consulate in Bern is one of the busiest in Europe. It handles all the trade with the Soviet Union.

The Barreiros motor works, which established a linkup with Chrysler last year, is sending trucks and tractors to Communist China.

#### NO PROTEST MADE

Note of this has ever given rise to protest from the United States.

Last year, exports to Cuba amounted to \$12 million, 1.7 percent of Spain's total exports. Spain imported mainly sugar, tobacco and rum. She exported rice, lentils, potatoes, paper, football boots, wine, olive oil, steam cauldrons and grapes.

In the last few weeks, Cuban trade commissions have visited Spain to negotiate the purchase of electric trains and machinery. They have taken home several million dollars' worth of books and a substantial consignment of eggs.

Undeterred by the American "blacklist," maritime companies do business with Cuba, while the airlines linking both countries carry the majority of passengers traveling to and from Western Europe.

The whole idea of an economic blockade to force Castro out of power meets with skepticism here. General Franco's regime survived total boycott after the civil war—without being able to count on the Soviet bloc to keep it going.

[From the Christian Science Monitor, Feb. 1, 1964]

#### THE CAUDILLO MANEUVERS

The Spanish Caudillo is playing a diplomatic game in some ways like that of the French President. Not that General Franco is dillydallying with Communist China: he is not quite that much up to date. His flirtations are with the Soviet Union and Cuban Premier Fidel Castro. The Spanish willingness to build ships for Cuba has now been well publicized. Less note has been taken, however, of hints of a possibility of the opening of diplomatic relations between Madrid and Moscow. At a New Year's reception in Paris, the Soviet Ambassador reportedly toasted the Spanish Ambassador with the remark: "To the establishment of diplomatic relations between Spain and the Soviet Union."

General Franco's gestures in the direction of Havana and Moscow can be explained, like some of General de Gaulle's moves, as a reaction to U.S. policy toward his country. Last year, the Spaniards failed, despite strenuous efforts, to get extra concessions from Washington as the price for renewing the agreement on American bases in Spain. One of Madrid's most earnest desires was for admission to the North Atlantic Treaty Organization; but the United States got the base agreement renewed without arranging even that for the Caudillo.

Quietly, it seems, General Franco is now having his revenge. Yet his domestic problem puts him in a much more delicate position within Spain than that of General de Gaulle in France. To begin with, the latter's modified authoritarianism carries with it few of the liabilities of the Caudillo's stifling and sometimes harsh dictatorship. Pressures against the Franco regime have been building up for a long time—even among those who have no desire to take Spain anywhere left of center.

To many Spaniards, the failure of General Franco to get what he wanted from Wash-

ington was a failure of Opus Dei, a secret organization of rightwing Catholic laymen which has won control of several key posts around the Caudillo. Its critics say it is much more concerned with the economic well-being of the class it represents than the social progress of the country as a whole. These critics are naturally of the left—of the left, that is, in a Spanish, not a Marxist sense. General Franco's gestures toward Moscow and Havana might well be intended to spike their guns, as well as to spite Washington.

#### PRESIDENT JOHNSON SEEKS TO PROTECT HOMEOWNERS AGAINST SHODDY CONSTRUCTION

Mr. GRUENING. Mr. President, the housing message sent to the Congress this year by President Johnson recommends that authority be provided for the FHA and the VA to finance the correction of substantial deficiencies.

This recommendation puts meaning into the words "FHA-Insured." It gives to American home consumers a long-overdue protection against the major defects they may find in homes which are purchased through the FHA or the VA.

It embodies the sense of the language I and others of my colleagues have proposed in the 87th and 88th Congresses, in S. 3460, which I introduced in the previous Congress, and S. 1200 which I introduced on March 28, 1963.

This is a wonderful victory, one which truly brings hope to millions of homeowners. The protection for the consumer which I have proposed is embodied in S. 2468.

President Johnson is to be highly commended for his forthright attack against the housing inequities and problems which confront far too many citizens of this land.

Senate bill, S. 2468, introduced by the distinguished junior Senator from Alabama [Mr. SPARKMAN] contains the proposed amendment to section 204, title V, of the National Housing Act to which I have referred which will, in large measure, restore the faith of the consumer in the words "FHA-Insured." Its title is "Expenditures To Correct or Compensate for Substantial Defects in Mortgaged Homes."

I ask unanimous consent that the text of this proposed section be printed in the RECORD at this point in my remarks.

There being no objection, the section was ordered to be printed in the RECORD, as follows:

#### CORRECTION OF SUBSTANTIAL DEFECTS IN MORTGAGED HOMES

SEC. 204. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

#### "EXPENDITURES TO CORRECT OR COMPENSATE FOR SUBSTANTIAL DEFECTS IN MORTGAGED HOMES"

"Sec. 517. (a) The Commissioner is authorized, with respect to any property improved by a one- to four-family dwelling approved for mortgage insurance prior to the beginning of construction which he finds to have structural or other major defects affecting the livability of the property, to make expenditures for (1) correcting such defects; (2) paying the claims of the owner of the property arising from such defects; or (3) acquiring title to the property: Provided, That such authority of the Commissioner shall exist only (A) if the owner has



requested assistance from the Commissioner not later than four years (or such shorter time as the Commissioner may prescribe) after insurance of the mortgage, and (B) with respect to property encumbered by a mortgage insured under this Act after or not more than three years prior to enactment of the Housing and Community Development Act of 1964.

"(b) The Commissioner shall by regulations prescribe the terms and conditions under which expenditures and payments may be made under the provisions of this section, and his decisions regarding such expenditures or payments, and the terms and conditions under which the same are approved or disapproved, shall be final and conclusive and shall not be subject to judicial review."

Mr. GRUENING. Mr. President, President Johnson, in his housing message, calls attention to the fact that "the partnership between private industry and Government—exemplified by Federal guarantees and insurance of private housing credit—has made possible good housing and widespread homeownership for millions of our citizens."

The President says:

I intend to encourage—through legislative proposals, where necessary—even more effective cooperation between Government and industry for the joint benefit of homeowners, tenants, and the industry itself. To this end, I am proposing a number of modifications in the statutes governing our self-supporting mortgage insurance and marketing programs which will improve their efficiency and usefulness. Among these will be the following proposals:

(1) To provide relief in those isolated cases in which, despite the care exercised by builders and the Federal Housing Administration and the Veterans' Administration, substantial defects develop in new construction they have approved, I recommend that authority be provided for the FHA and the VA to finance the correction of substantial deficiencies.

(2) To make certain that no legislative barriers exist to discourage or prevent mortgage lenders and the Federal Housing Administration from cooperating to help delinquent mortgagors in deserving cases, I recommend that FHA's claim and forbearance authorities be amended to encourage the temporary withholding of foreclosures against homeowners who default on their mortgages due to circumstances beyond their control.

(3) To expand our concerted effort to substitute private credit for Federal loans, I recommend provision of legislative authority for the pooling of mortgages held by the Federal National Mortgage Association and the Administrator of Veterans' Affairs, and the sale of participations in such pools.

This is good and heartening news to the U.S. home buyer.

The need to make the words "FHA insured" mean what they say were vividly and heartbreakingly brought to my attention by some 50 homeowners living in a new FHA-approved home construction development named Eagle River Heights, near Anchorage, Alaska. Their homes, their FHA-approved dwellings had numerous major and minor defects. They ranged from buckling wall paneling, to inadequate heating facilities, to the use of second hand pipe for plumbing, and to improperly installed storm doors and windows, to name but a few flagrant shortcomings.

When this situation was brought to my attention by the properly indignant

home purchasers in January 1962, I went to work to see what could be done.

Subsequently, after a thorough examination of the incriminating evidence, evidence so clear that one could hardly overlook it, I introduced on June 21, 1962, S. 3460, a bill to put meaning into the words "FHA insured."

The bill received favorable comment and was endorsed by then Federal Housing Administration Commissioner Neal J. Hardy.

And the defects in the Eagle River homes were corrected, thanks to the positive action of FHA officials. They deserve the highest acclaim for their prompt and effective remedial steps, an attitude which unfortunately is not found in all Federal agencies. The cost of repairs totaled \$100,000.

In the months which have ensued since I introduced on March 28, S. 1200—to obviate similar deficiencies throughout our Nation—identical to S. 3460 of the 87th Congress—I have received many letters urging enactment of the bill. Eleven of my colleagues, representing various areas of this Nation have joined as cosponsors. They are the junior Senator from Minnesota [Mr. McCARTHY], the senior Senator from Nevada [Mr. BIBLE], the senior Senator from Pennsylvania [Mr. CLARK], the senior Senator from Connecticut [Mr. DODD], the senior Senator from Illinois [Mr. DOUGLAS], the late senior Senator from Tennessee [Mr. KEFAUVER], the junior Senator from Montana [Mr. METCALF], the senior Senator from Oregon [Mr. MORSE], the junior Senator from Utah [Mr. MOSS], the junior Senator from New Jersey [Mr. WILLIAMS], and the junior Senator from Ohio [Mr. YOUNG].

Hearings were held October 17 and 18, 1963, on S. 1200 and a similar bill, S. 2226, introduced by my able colleague from New York [Mr. JAVITS]. They were presided over by Senator SPARKMAN, the able chairman of the Senate Banking and Currency Subcommittee on Housing. The need for such legislation was explored and documented in detail.

The knowledgeable and capable Administrator of the Housing and Home Finance Agency, Dr. Robert C. Weaver, told Chairman SPARKMAN that the Housing agency "recommends enactment of legislation to correct major defects in property the homeowner has purchased with the assistance of FHA mortgage insurance."

Today we see the work of various individuals, the identity of some of whom we will never know, bearing fruit. Their efforts mean the homeowners of America may be better served.

Perhaps the testimony of Arthur M. Watkins, a professional writer, author of books and magazine articles about housing and homebuilding, best sums up the reasons for this type of consumer protection. Let me quote from the conclusion of his remarks during the hearing:

Mr. WATKINS. I have one other point to make. I think a bill such as Senator GRUENING's will actually be good for builders, the whole building industry, and everybody, because it could well result in more sales of new houses.

Many people today do not buy new houses or are hesitant about buying because of fan-

tasies in their mind and suspicions. Whether ill founded, or for one reason or another, they nevertheless are suspicious of new houses. They, therefore, will not buy, when in many cases they want to buy, a new house.

If they could be assured absolutely that the house is guaranteed, I think this could be good for everybody. It would sell more houses for builders. It could be a tonic for the entire industry as well as the country.

Another question raised in opposition to the bill is that some people claim that cases of defective houses are very rare and isolated cases. If that is true, then carrying out this bill, administering it, and running it, will be a simple matter.

I noticed another thing in the Washington Post today, an article saying, "Builders Criticized on Obsolete Methods."

Here I would like to speak up in defense of the builders. It is on page 6 of October 18, 1963, Washington Post. It says, in effect, that the builders are always the villains and that every time there is a bad house or a high-cost house, blame it on the builders.

As I said before, we should not overlook the fact that again it is the "system." No single builder, however bright, smart, or experienced, can know everything there is about heating, wiring, cement, framing, and so on, that goes into his houses. That is why a large builder like Bill Levitt will have a staff of 15 or 20 topflight architects and engineers. But very few builders can afford such staffs.

When I testified before the Senate Housing Subcommittee I said that I was not concerned with the mechanics of securing protection for homeowners as well as the homebuyers. I said:

My concern is that the protection be available to both and that it be made available as quickly as possible.

Pride of authorship in this legislation is incidental, but pride in the integrity of our Government is paramount.

I urge that this subcommittee take action to restore the consumer's faith in Government by making certain that the words "FHA insured" truly mean the same to all persons.

We have taken another important step along the road toward restoring the consumer's faith in Government with the introduction of S. 2468, which embodies the recommendations made by President Johnson.

But legislative history being written has not been confined to the efforts of the Senators to whom I have referred. The history has been written, too, by Members of the other body. They are Representative ALBERT RAINS of Alabama, Representative BENJAMIN ROSENTHAL, of New York, and Representative JAMES ROOSEVELT, of California.

We are moving ahead and are stronger for this reaffirmation of good government.

#### PRESIDENT JOHNSON SUPPORTS ISRAEL'S RIGHT TO ITS SHARE OF THE JORDAN'S WATERS

Mr. GRUENING. Mr. President, President Johnson deserves the highest commendation not only of the people of the United States but of the world for his most recent practical steps to bring peace to the Middle East. In that troubled crossroads of the world, water is the essence of life.

The recommendation of the Eric Johnston Committee was that the waters of the historic Jordan be divided on an

equitable basis between Israel, Syria, Jordan, and Lebanon. Israel, following this recommendation, has made preparations to divert to its arid lands a just portion of the waters of the Jordan.

Yet, despite the reasonableness of Israel's actions, the leaders of the Arab nations meeting recently in Cairo, and still pursuing relentlessly their determination to drive Israel into the sea, have made threats against that little nation if it persists in diverting even those waters recommended by the Johnston Committee. This is all the more unjustifiable since Jordan has already diverted water for the East Ghor irrigation project—a project financed in part by the United States under our foreign aid program.

Yet, here is Israel, of all the lands in that area, the true—and only—bastion of democracy, forced to spend an excessive amount of its sparse resources in order to purchase arms to be ready to defend itself, and still planning to spend of its remaining reduced resources to irrigate its desert lands with the waters of the Jordan, yet threatened with armed violence by its far more populous neighbors if it should carry out its plans.

President Johnson's forthright and enlightened statement yesterday in New York provided much needed reassurance to Israel that it can carry out its plans with the comforting knowledge that in this proper peaceful pursuit it can count on the support of the United States. President Johnson's characterization of the uses of water is most appropriate. He said: "Water should never be a cause of war—it should always be a force for peace."

In that spirit President Johnson offered to cooperate with Israel and the other nations in the Middle East to do research to turn silt water into fresh. With characteristic initiative, Israel has been working on this important project.

I sincerely hope that the nations of the Middle East will at long last beat their spears into plowshares and cooperate one with the other to make green again their vast sandy wastes. It is high time that the Arab nations ceased their aggressive warmongering tactics which keeps the Middle East in a ferment, and adopted instead a policy of "live and let live." If they were wise they would, instead of plotting ceaselessly to destroy Israel, instead emulate it and adopt a policy for their own people of education, irrigation, and sanitation.

I ask unanimous consent that excerpts from the account in the New York Times of February 7, 1964, of President Johnson's statement on water development in the Middle East be printed in the Record at the conclusion of my remarks.

There being no objection, the article was ordered to be printed in the Record, as follows:

**JOHNSON PLEDGES ISRAEL WATER AID WITH ATOM POWER—TELLS GROUP HERE UNITED STATES HAS OFFERED TO POOL RESEARCH TO EASE MIDEAST CRISIS**

(By Homer Bigart)

President Johnson disclosed last night that the United States had offered to cooperate

with Israel in using nuclear power to help solve the water shortage in the Middle East.

Israel has indicated she will divert water from the Jordan River to meet her needs—a project that threatens war between Israel and the Arab States.

Mr. Johnson said this country had begun discussions with representatives of Israel on cooperative research to turn salt water into fresh water by the use of nuclear power.

The President, speaking in the Waldorf-Astoria at the annual dinner of the American Committee for the Weizmann Institute of Science, did not mention Israel's projected diversions of water from the Jordan. He did stress, however, the importance of finding a peaceful solution to the recurrent crisis.

#### PRIORITY FOR PEACE

"Water should never be a cause of war—it should always be a force for peace," the President solemnly told more than 1,700 guests. And he added: "Peace is first on our agenda."

Last night in the ballroom of the Waldorf-Astoria the President was cheered for his sympathetic references to Israel.

#### WATER OFFER WIDENED

The President hastened to add that the American offer to cooperate with Israel in a search for ways to turn salt water into fresh water was also open to "other countries," presumably Israel's Arab neighbors.

"We are equally ready," he said, "to cooperate with other countries anxious to cure water shortages. This would be part of a general program for pooling experience and knowledge in this important field. The International Atomic Energy Agency is a focal point in this program."

"In this way we can demonstrate the constructive meaning of man's mastery of the atom. We can pool the intellectual resources of Israel, America and all mankind for the benefit of all the world. And we can better pursue our common quest for water."

The discussions with Israel mark the first joint venture of the United States and another country in important desalinization research.

The President warned that the project was difficult.

"I promise no early and easy results," he said. "But the opportunities are so vast, the stakes are so high, it is worth all our efforts and all our energy."

#### COMPENSATORY PAYMENTS, SOUND AGRICULTURAL POLICY

Mr. HUMPHREY. Mr. President, the January 6, 1964, issue of the American Farm Bureau Federation Newsletter carried an article entitled "Compensatory Payments To Be Issued in 1964 Farm Debates." Recently I addressed the membership of the Farm Bureau at its annual convention in Chicago. I know how seriously the Farm Bureau reviews its policy statements and the importance it attaches to them.

In my address I spoke of many factors affecting agriculture, including my proposal for wheat embodied in S. 2258. My wheat bill provides for deficiency or compensatory payments under specified conditions. The American Farm Bureau Federation statement on compensatory payments deserves respectful and objective analysis.

I have examined each of the Farm Bureau arguments as related to S. 2258. Also, I have analyzed the Farm Bureau position on compensatory payments in light of policy positions enunciated with respect to other areas of agriculture from the standpoint of consistency.

First, it should be noted that the Farm Bureau proposes the following guidelines for measuring policies for agriculture, and I quote:

Policies affecting agriculture should increase economic opportunity for farm people; promote efficiency in the farm business; protect the competitive principle; be consistent with the law of supply and demand; strengthen the market system; stimulate market expansion; encourage soil and water conservation.

Policies affecting agriculture should not open the way to price fixing; stimulate excessive production; permit development of monopolies; erode individual freedom; freeze historical production patterns; encourage use of synthetics or other substitutes; shift adjustment burdens from one producer group to another; increase farm production costs; make farmers dependent on Government payments.

If farm people are to enjoy freedom, we must accept the discipline of competition. We reaffirm our desire to move as rapidly as possible to the market price system.

Second, the Farm Bureau indicates support of the present peanut, tobacco, and rice marketing quota programs. Support also is given to the present type of sugar program with the overall recommendation that a larger percentage of the growth in sugar consumption be reserved for domestic producers.

Third, the Farm Bureau supports the Agricultural Act of 1958 as related to cotton, including marketing quotas and price support of 30 cents a pound for 1964 crop cotton and thereafter at 90 percent of the preceding 3-year average.

Fourth, the Farm Bureau recommends that farmers not be forced to compete with the Commodity Credit Corporation for markets. The Farm Bureau recommendation states, and I quote:

The original purpose of commodity loan programs was to avoid glutted markets at harvest time and to encourage orderly marketing throughout the year.

Government owned surpluses should not be released for unrestricted domestic use at prices representing less than 115 percent of support levels, except as offset by comparable purchases in the open market.

By permitting the market price system to function, this policy will provide farmers with a better economy and more effective markets.

Fifth, there is a statement on private competitive enterprise, as follows: "We believe in a competitive business environment in which supply and demand are the primary determinants of market prices, the use of productive resources and the distribution of output."

Sixth, with respect to compensatory payment, the Farm Bureau policy statement reads as follows:

Compensatory payments are proposed in a variety of forms. Regardless of form, this approach is unsound and dangerous to our economic and political system. It would stimulate production, increase unit costs, depress market prices, necessitate tight production controls, and make farmers dependent on congressional appropriations for much of their total income. It also would be extremely costly.

Increasing costs would invite limits on payments to individuals, and this would place a ceiling on opportunity.

Payment programs mislead the buying public with respect to the value of farm products, as a part of the real cost is paid through taxes rather than at the store.